



U.S. Department of Justice

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FOR IMMEDIATE RELEASE

December 8, 2009

FOUR LANCASTER COUNTY MEN CHARGED WITH TAX FRAUD

PHILADELPHIA - An indictment¹ was filed today against Craig L. Bitterman, Chester A. Bitterman, Jr., C. Grant Bitterman, and Curtis L. Bitterman, charging them with one count of conspiring to defraud the United States, and charging Craig L. Bitterman with one count of obstruction of justice, announced United States Attorney Michael L. Levy .

According to the indictment, from 1996 to 2005, the defendants used aliases, offshore bank accounts, and a complex series of sham paper transactions to conceal their income and assets from the Internal Revenue Service. During this time frame, the defendants owned and operated the Bitterman Scale Company, which now operates as Bitterman Scales LLC.

“One of the benefits of living in this country is the freedom to start and run one’s own business,” said Levy. “The defendants thought that they were entitled to the benefits without any of the obligations of being an American. It is not just the salaried workers who must pay their fair share. That is an obligation of all of us. Today’s indictment serves as a reminder of that obligation.”

On paper, the defendants transferred their personal and business assets to trusts purchased from Commonwealth Trust Company, a tax protester organization.² This made it appear as though the defendants had little or no assets or income. In reality, the defendants allegedly retained complete access and control over their assets and income. The indictment further alleges that the defendants placed bogus liens or mortgages on their assets so it would appear to the IRS that the defendants had nothing that could be levied or seized.

The defendants paid themselves in cash and allegedly arranged bogus payments between the many trusts that purportedly controlled their business assets and income. These bogus payments were purported to be leases, management fees, and fiduciary fees. The defendants submitted trust tax returns for their business that took fraudulent deductions for these bogus payments to create the appearance of minimal or no taxable income.

“The indictments announced today should serve as a reminder to taxpayers to be wary of any scheme that purports to allow the placement of money or assets into a trust to avoid taxes

¹ An Indictment or Information is an accusation. A defendant is presumed innocent unless and until proven guilty.

² Nine principals of the Commonwealth Trust Company – based in Conroe, Texas – have been previously charged and convicted in the Eastern District of Pennsylvania. The defendants had no connection with the Commonwealth Trust Company of Wilmington, Delaware.

while retaining control of those assets,” said Special Agent in Charge of the Internal Revenue Service, Criminal Investigation, Don Fort. “Our office will continue to work vigorously with the United States Attorney’s office to stop abusive trust schemes and prosecute those individuals who utilize sham domestic or offshore entities for the purpose of evading their tax liabilities.”

After the IRS levied their business bank account and receivables, the indictment alleges the defendants instructed their customers to pay another trust to thwart IRS collection efforts. The defendants also used aliases and bank accounts in the names of trusts to make their tuition payments for their children appear as if they were scholarships from third parties. In addition, to further conceal their assets from the IRS, the defendants used bank accounts in the British Virgin Islands and arranged for sham transfers of real estate to their children. Moreover, after service of a federal grand jury subpoena requiring the production of trust records, defendant Craig L. Bitterman allegedly shipped trust records to Texas and New Mexico to keep those records from the grand jury.

INFORMATION REGARDING THE DEFENDANTS

NAME	ADDRESS	AGE
Craig L. Bitterman	Strasburg, PA	50
Chester A. Bitterman, Jr.	Willow Street, PA	76
C. Grant Bitterman	Willow Street, PA	48
Curtis L. Bitterman	Lancaster, PA	55

If convicted on both counts, Craig L. Bitterman would face a maximum sentence of 15 years imprisonment, a three-year period of supervised release, a \$500,000 fine, and a \$200 special assessment. If convicted of the conspiracy, C. Grant Bitterman, Chester A. Bitterman, Jr., and Curtis L. Bitterman would face a maximum sentence of 5 years imprisonment, a three-year period of supervised release, a \$250,000 fine, and a \$100 special assessment.

The case was investigated by the Internal Revenue Service – Criminal Investigation Division, and is being prosecuted by Assistant United States Attorney Vineet Gauri.

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